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CANADA MALTING CO.
LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 1968

CANADA MALTING CO., LIMITED

Board of Directors

DOUGLAS W. AMBRIDGE, C.B.E., B.Sc.	JOHN P. HEIGHTON
NIGEL B. BAIRD	GORDON McMILLAN, Q.C.
ERIC S. CLARKE	GEORGE H. SELLERS
HARRY F. GRAESSER	REGINALD J. THOMAS
W. DOUGLAS HATCH	GEORGE T. VALENTINE

Officers

ERIC S. CLARKE	CHAIRMAN AND CHIEF EXECUTIVE OFFICER
HARRY F. GRAESSER	PRESIDENT AND GENERAL MANAGER
STANTON J. BURKETT	VICE-PRESIDENT — SALES
REGINALD J. THOMAS	SECRETARY AND COMPTROLLER
WALTER W. COMBER	TREASURER

Transfer Agent

CANADA PERMANENT TRUST COMPANY
TORONTO, ONTARIO - - MONTREAL, QUEBEC
CALGARY, ALBERTA

Registrar

MONTREAL TRUST COMPANY
TORONTO, ONTARIO - - MONTREAL, QUEBEC
CALGARY, ALBERTA

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS OF

CANADA MALTING CO., LIMITED

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1968

Your Directors submit herewith the Annual Report of your Company, together with the Financial Statements for the year ended December 31, 1968, and the Report thereon by the Auditors, Messrs. Price Waterhouse & Co.

Malt shipments were the highest in the history of the Company and show a 7% increase over the preceding year. Earnings from Operations were $3,060,834.00, as compared with $2,976,403.00 in 1967.

Net Earnings for the year were $1,415,065.00, equal to $1.64 per common share, as against Net Earnings for 1967 of $1,505,342.00, or $1.74 per common share. After providing for dividends accrued on the preferred stock to December 31, 1968, earnings per common share amount to $1.50.

The decrease in Net Earnings is due mainly to the reduction in investment income, resulting from the sale of marketable securities. These were sold in order to provide the funds for the redemption of the Series "A" preferred shares which, together with the Series "B" preferred shares, were issued to shareholders as a stock dividend during the year.

Provision for income taxes is greater than in the previous year largely owing to the surtax imposed in 1968 and also because no tax was payable on the larger amount of dividend income received in 1967.

Another factor contributing to the reduction in earnings is the extra expense incurred because of the poor barley harvest last Fall. This made it necessary for us to purchase our requirements earlier than usual in order to obtain additional quantities from the previous season's crop, which was of better quality. In common with most other industries, we have also been faced with ever-increasing costs of wages, materials and services.

Capital Expenditures during 1968 amounted to $3,834,534.00, including the purchase of the Dominion Malting Company's Toronto plant. Your plants and properties have been well maintained and are in good condition.

During the past year Mr. George T. Valentine retired from the Company. He had served in various capacities for forty-eight years, being a Director since 1956 and President since 1965, and his experience and judgment were of great value to the Company.

The Directors and Management recognize and appreciate the loyalty and cooperation of all employees, whose efforts have contributed so much to the success of the Company.

On behalf of the Directors,

HARRY F. GRAESSER,
President.

CANADA MALTING CO., LIMITED

STATEMENT OF EARNINGS

	Year ended December 31	
	1968	1967
Net Sales	$32,956,110	$31,826,760
Costs and expenses:		
Cost of products sold and all expenses except items shown below	28,748,803	27,747,282
Provision for depreciation	1,146,473	1,103,075
	29,895,276	28,850,357
Earnings from operations	3,060,834	2,976,403
Investment and other income (Note 4)	116,231	199,939
	3,177,065	3,176,342
Provision for income taxes (Note 1)	1,762,000	1,671,000
Net earnings for the year	$ 1,415,065	$ 1,505,342

STATEMENT OF EARNINGS EMPLOYED IN THE BUSINESS

	Year ended December 31	
	1968	1967
Balance at beginning of year	$ 9,877,654	$ 9,230,499
ADD:		
Net earnings for the year	1,415,065	1,505,342
Gain on sale of securities	1,340,008	751,173
Excess of par value over cost of preferred shares purchased for cancellation	9,815	—
	12,642,542	11,487,014
DEDUCT:		
Dividends paid on common shares —		
Stock dividends (Note 2) —		
Series A preferred shares	1,727,776	—
Series B preferred shares	2,591,664	—
Cash dividends	863,888	863,888
	5,183,328	863,888
Tax paid on undistributed income under Section 105 of the Income Tax Act	—	745,472
	5,183,328	1,609,360
Balance at end of year (Note 3)	$ 7,459,214	$ 9,877,654

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BALAN

ASSETS

	December 31 1968	1967
CURRENT ASSETS:		
Cash	$ 2,400	$ 2,400
Marketable securities, at cost (Quoted market value 1967 — $1,436,637)	—	74,921
Accounts receivable, less allowance for doubtful accounts	3,362,131	3,303,490
Inventories:		
Malt, barley, etc., valued at the lower of approximate cost or market	10,863,585	10,894,061
Operating supplies, at not in excess of cost	312,418	279,529
Prepaid expenses	170,353	99,094
Deposit under agreement and accrued interest	51,736	—
	14,762,623	14,653,495
OTHER ASSETS:		
Investment in and advance to Hugh Baird & Sons, Limited (50% owned)		
Investment in shares, at cost	2,499,484	2,499,484
Advance	—	600,000
Grain Exchange Seats and Memberships in Clearing Associations, less amounts written off	1	1
Special refundable tax	—	106,605
	2,499,485	3,206,090
FIXED ASSETS, at depreciated replacement values on February 28, 1955 as reported by Canadian Appraisal Company Limited plus subsequent additions at cost:		
Land	1,556,034	547,559
Buildings, plant and equipment	30,062,623	27,236,564
	31,618,657	27,784,123
Less — Accumulated depreciation	13,009,042	11,888,990
	18,609,615	15,895,133
	$35,871,723	$33,754,718

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SHEET

LIABILITIES

	December 31 1968	1967
CURRENT LIABILITIES:		
Bank advances	$ 3,635,114	$ 1,202,960
Accounts payable and accrued	1,432,461	1,553,163
Taxes on income	439,279	640,950
	5,506,854	3,397,073
DEFERRED INCOME TAXES (Note 1)	504,650	551,650
SHAREHOLDERS' EQUITY:		
Capital stock (Note 2):		
Authorized —		
10,000,000 preferred shares of a par value of $1 each, issuable in series		
1,200,000 common shares without nominal or par value		
Issued and outstanding —		
2,472,664 6% cumulative redeemable Series B preferred shares	2,472,664	—
863,888 common shares	5,099,665	5,099,665
Earnings employed in the business (Note 3)	7,459,214	9,877,654
	15,031,543	14,977,319
Excess of appraised value of fixed assets over depreciated book value on February 28, 1955	14,828,676	14,828,676
	29,860,219	29,805,995
	$35,871,723	$33,754,718

Approved on behalf of the Board:

Eric S. Clarke, *Director*

Harry F. Graesser, *Director*

CANADA MALTING CO., LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year ended December 31 1968	1967
Source of funds:		
Net earnings	$ 1,415,065	$ 1,505,342
Charges (credits) against earnings not affecting cash outlay —		
Provision for depreciation	1,146,473	1,103,075
Decrease in deferred income taxes	(47,000)	(165,000)
Funds provided from operations	2,514,538	2,443,417
Advance repaid by Hugh Baird & Sons, Limited	600,000	—
Gain on sale of securities	1,340,008	751,173
Special refundable tax	106,605	(31,255)
	4,561,151	3,163,335
Application of funds:		
Expenditures for fixed assets (net)	3,860,955	1,382,169
Cash dividends paid on common shares	863,888	863,888
Redemption of Series A preferred shares (Note 2)	1,727,776	—
Cost of Series B preferred shares purchased for cancellation (Note 2)	109,185	—
Tax paid on undistributed income under Section 105 of the Income Tax Act	—	745,472
	6,561,804	2,991,529
Resulting in a (decrease) increase in working capital of	(2,000,653)	171,806
Working capital at beginning of year	11,256,422	11,084,616
Working capital at end of year	$ 9,255,769	$11,256,422

CANADA MALTING CO., LIMITED

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1968

1. Depreciation recorded in the accounts for 1968 exceeds the amount deductible for tax purposes. The resulting income tax of $47,000 in excess of the 1968 provision has been charged against the deferred income taxes set aside for that purpose in prior years.

2. By supplementary letters patent dated January 9, 1968, the authorized capital stock of the company was altered by:

   (a) Cancellation of the 101,028 4½% cumulative redeemable preferred shares of a par value of $26 each previously authorized.

   (b) Creation of 10,000,000 preferred shares of a par value of $1 each, issuable in series, of which 2,000,000 shares were designated as 6% non-cumulative redeemable Series A preferred shares and 3,000,000 shares were designated as 6% cumulative redeemable Series B preferred shares.

   On March 15, 1968, a stock dividend of 1,727,776 Series A preferred shares and 2,591,664 Series B preferred shares was paid to the common shareholders. The Series A shares were redeemed at par immediately after the issue thereof. During 1968, 119,000 Series B preferred shares were purchased for a total cost of $109,185 and cancelled, leaving a balance of 2,472,664 shares issued and outstanding at December 31, 1968.

   Dividends on the Series B preferred shares are payable annually. The first dividend was declared to shareholders of record at February 15, 1969 and is payable March 15, 1969.

3. Earnings employed in the business at December 31, 1968 include $1,846,776 designated as capital surplus under Section 61 of the Canada Corporations Act, arising from the redemption and cancellation of 1,727,776 Series A preferred shares and the purchase and cancellation of 119,000 Series B preferred shares.

4. Investment and other income includes dividends from Hugh Baird & Sons, Limited of $101,147 (1967 - $101,198).

5. Total remuneration of directors and senior officers amounted to $232,569 (1967 - $235,915), including remuneration of salaried directors and directors' fees of $159,711 (1967 - $165,474).

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Canada Malting Co., Limited as at December 31, 1968 and the statements of earnings, earnings employed in the business and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants.

Toronto, Ontario
February 21, 1969

CANADA MALTING CO., LIMITED

Malthouses and Elevators

Montreal, Que.	Winnipeg, Man.
Toronto, Ont.	Calgary, Alta.

Port Arthur, Ont.

Head Office

TORONTO - ONTARIO